



WHERE KNOWLEDGE IS POWER

Steadily expanding: Health consciousness and growing obesity drive industry growth

IBISWorld Industry Report S9512 Weight Loss Services in Australia

August 2013

Alan Allday

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About this Industry

Industry Definition

Weight-loss providers include any company offering goods or services specifically targeted as a weight-loss solution. As well as traditional weight-loss advice and counselling services,

companies offer a variety of foods and beverages targeted at those wishing to lose weight. This industry does not include gyms, personal trainers and other exercise-oriented companies.

Main Activities

The primary activities of this industry are

Weight loss counselling services
 Provision of low-calorie foods and beverages
 Sale of products and supplements to assist with weight loss

The major products and services in this industry are

Dietary shakes, bars, powders and supplements
 Fresh and frozen dietary meals
 Group weight-loss counselling services
 Individual weight-loss counselling services

Similar Industries

Q8512 Specialist Medical Services in Australia

Businesses in this industry offer cosmetic surgery such as liposuction and lap-band surgery.

R9111 Gyms and Fitness Centres in Australia

Gyms and fitness centres offer exercise and fitness products and services for clients.

Additional Resources

For additional information on this industry

www.abs.gov.au
 Australian Bureau of Statistics
www.daa.asn.au
 Dieticians Association of Australia
www.healthinsite.gov.au
 Health Insite
www.nhmrc.gov.au
 National Health and Medical Research Council
www.nutritionaustralia.org
 Nutrition Australia
www.weightcouncil.org
 Weight Management Council Australia

Industry at a Glance

Weight Loss Services in 2013-14

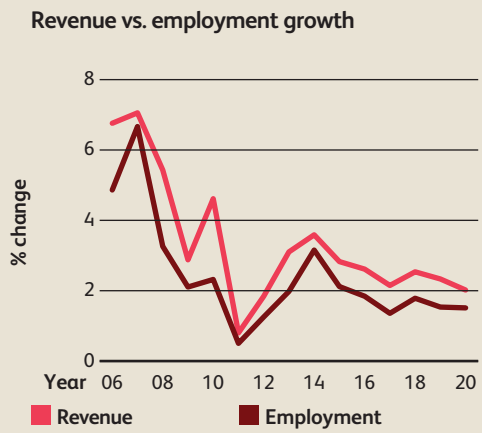
Key Statistics Snapshot

Revenue	Annual Growth 09-14	Annual Growth 14-19
\$643.7m	2.8%	2.5%
Profit	Wages	Businesses
\$71.5m	\$194.9m	1,893

Market Share

- Nestle Australia Ltd **16.7%**
- Weight Watchers International Pty Limited **10.1%**
- Lite n Easy **8.1%**

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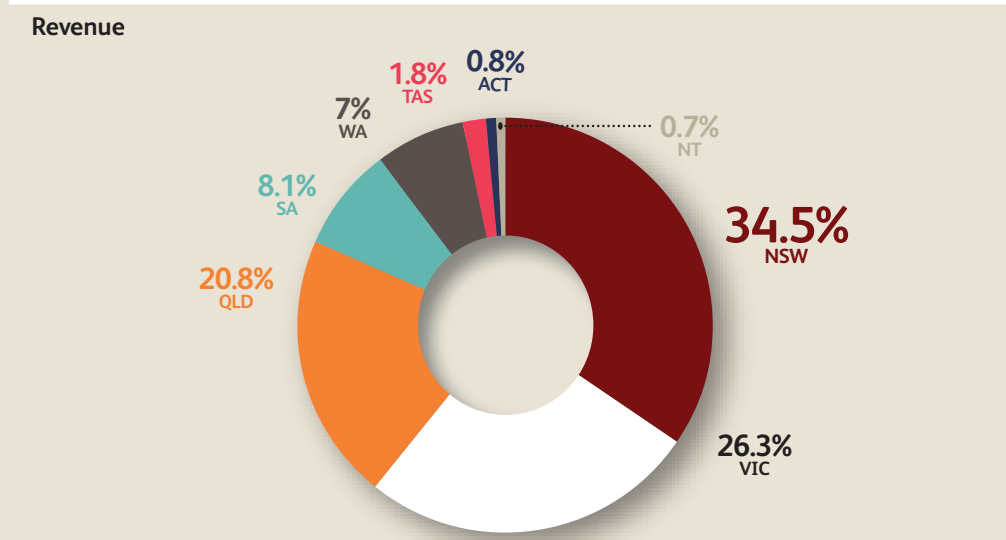


SOURCE: WWW.IBISWORLD.COM.AU

Key External Drivers

- Levels of obesity
- Health consciousness
- Real household disposable income
- Consumer sentiment index

p. 4



SOURCE: WWW.IBISWORLD.COM.AU

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	None	Industry Globalisation	Medium
Concentration Level	Low	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 28

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

According to the Australian Bureau of Statistics, more than 70.0% of Australian males and 56.2% of females are overweight or obese. For both health and cosmetic reasons, there is growing pressure on Australians to change this statistic. An ever-growing amount of consumer spending is being directed towards getting thinner and healthier. During 2013-14, Australians are estimated to spend \$643.7 million on weight-loss counselling services, low-calorie foods and dietary supplements in their quests to slim down. This is up 3.6% from the previous year, and with annualised growth of 2.8% over the past five years. Stronger industry growth has returned in 2012-13 and 2013-14 following two years of low growth in 2010-11 and 2011-12, when uncertain consumers cut back on discretionary spending.

Industry growth continues to be driven by its traditionally prominent companies, such as Weight Watchers and Jenny Craig. However, competitors such as Lite n' Easy and Tony Ferguson have also gained market share through the development of new dietary products and services. This indicates that Australians are seeking out innovative, convenient and more effective methods of weight loss than those that have been on the market for some time. Opinions are

mixed regarding the effectiveness of low-fat foods that have high-sugar content, and the role exercise plays in long-term weight loss without reducing sugar consumption.

Another key trend of the past five years has been the move by traditional weight-loss companies towards the development of low-calorie or fat-free food, drinks and supplements, and the incorporation of these products into their counselling services. Further, such products are increasingly becoming available to all consumers through wider distribution channels and are growing in popularity.

The industry is forecast to grow over the five years through 2018-19 as economic conditions improve, obesity levels increase, and physical appearance and health awareness return to the forefront of people's minds. Industry revenue is forecast to increase at an annualised 2.5% over the five years through 2018-19 to \$728.0 million. This will occur as consumers continue to look for new slimming programs and products, and companies endeavour to create them. However, the growing prevalence of larger firms, and increasing integration across various products and services, means that fewer small companies are likely succeed in the increasingly crowded industry.

Key External Drivers

Levels of obesity

As the incidence of obesity in Australia increases, the popularity of weight-loss products and services has also grown. That the increasing acceptance of industry products and services has not resulted in a reduction in overall overweight and obesity rates, is a cause of some controversy about the industry's effectiveness. Nonetheless, as people grow larger and become more concerned about their appearance and health, demand for those offering weight-loss services will continue to increase. Obesity levels are expected to continue to increase in 2013-14.

Health consciousness

As the community grows more aware of the benefits of healthy living, so will the likelihood that they act on their being overweight, whether real or perceived. The availability of low-calorie or fat-free goods produced by the industry on supermarket shelves is leading to increased consumption of these items. Greater awareness and promotion of retaining a healthy body mass index is likely to increase demand for weight loss providers. Health consciousness levels are expected to increase in 2013-14, providing an opportunity for the industry to expand.

Industry Performance

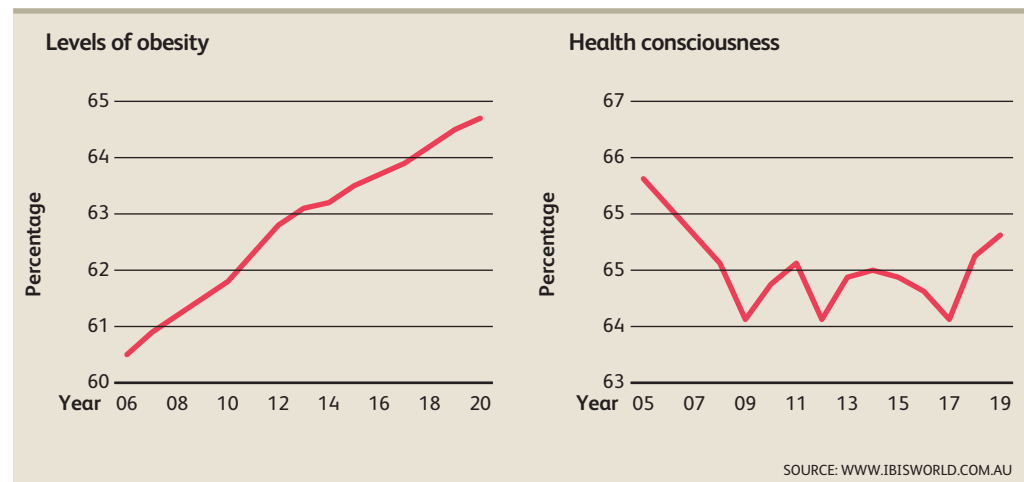
Key External Drivers continued

Real household disposable income

Increases in real household disposable income influence industry demand, as many weight-loss products and services are relatively costly. Any increase in an individual's disposable income is likely to encourage them to partake in a weight-loss program or consume dietary food if weight loss is required. Weak income growth can threaten industry expansion. Real household disposable income is expected to increase slightly in 2013-14.

Consumer sentiment index

Alongside household disposable income level, consumer perceptions of their wealth and income affect expenditure on weight-loss services and products. The perception of difficult times or the fear of potential future unemployment can prevent spending, particularly on long-term projects such as weight-loss programs. However, the consumer sentiment index is expected to rise in 2013-14.



Current Performance

Like many of its Western counterparts, Australia's collective waistline is expanding. ABS Australian Health Survey data (4364.0) shows that 63.4% of all adult Australians were overweight or obese in 2011-12, up from 62.0% four years earlier. In 2008, the Baker IDI Heart and Diabetes Institute declared that Australia had become the world's fattest nation and that the health system was sitting on an obesity-related time bomb that will cost billions in health care over the next two decades. A

rapidly increasing number of Australians are vowing to take action to address their weight. The Weight Loss Services industry in Australia is growing almost as fast as the obesity rate, as greater public health awareness campaigns and an increasingly image-conscious society direct consumer spending towards rectifying weight issues. The popularity of TV shows like *The Biggest Loser* also indicates that the community at large is focused on weight loss.

Solid revenue growth

Over the five years through 2013-14, industry revenue is estimated to increase at an annualised 2.8% to \$643.7 million. This includes a 3.6% increase in 2013-14 as economic conditions improve and demand for industry products and

services continues to increase. The industry continually develops new products and promotes its benefits for overweight people, and the target market will continue to turn to these providers for weight-loss assistance. Following low

Industry Performance

Solid revenue growth continued

growth in 2010-11 and 2011-12, the industry returned to higher revenue growth in 2012-13. Rising health awareness and the influence of cultural factors, such as *The Biggest Loser*, have been the major drivers of growth. Prepared frozen dietary meals are a major growth area for the industry and can be cheaper than joining a program, which often includes the purchase of similar products. While some consumers focus on industry products to help them lose weight, others who embrace fresh foods and prepare their own healthy meals represent a significant competitive concern for the industry, especially when there is pressure on household budgets.

Despite high obesity levels and rising health consciousness, industry growth has not been as high as it could have been. Consumers concerned about employment stability and income tend to put off excess spending on weight loss. This is mostly due to the wide variety of substitute activities, products and services that a cash-strapped consumer can consider when trying to lose weight. For example, diligent individuals can simply enforce an exercise regime without paying for a gym membership. While most weight-loss providers advocate an exercise program in conjunction with their products, it is often viewed as a substitute activity for diet or specialised eating programs, rather than a

supplement. Another option for overweight Australians is to alter their diets themselves to include more fresh produce and less fatty, processed and sugary foods.

Because of easy product and service substitution across the industry, key players are increasingly integrating different weight-loss strategies under their banners. Weight Watchers has been an early leader in this regard, with its own brand of frozen meals now constituting about one-third of the frozen dietary meals market in Australia. In addition to food products, there are diet shakes and dietary supplements and a growing emphasis on member-supported networks. This serves the dual purpose of assisting clients with weight loss and reduces the need and cost of professional counsellors. Any shift towards these cheaper alternatives is likely to result in weaker revenue growth for the industry, but should limit profit losses. For some time, Jenny Craig and Weight Watchers were relatively unchallenged in the weight-loss realm. Newcomers, such as Tony Ferguson and other powder and supplement providers, are posing a threat to existing firms. One example of integration of the product-based and service-based business models in the industry is Lite n' Easy, a company that provides home-delivered food programs prepared by the company at a central location.

Medicinal solutions

The ultimate product for the industry is the fabled diet pill. Scientific evidence suggests that no such pill yet exists, but this has not discouraged companies from attempting to develop one. A successful diet pill would rapidly dominate the market and make the bulk of the industry almost instantly obsolete. It is arguable whether consumer spending on such a product would equal current spending on weight loss, but a successful pharmaceutical solution would undoubtedly lead to a drastic restructuring of the industry. This has

proven problematic thus far.

The most noteworthy example is Xenical, a drug promoted as a treatment for the overweight and obese. It can assist weight loss, but only for those with a BMI of 30 or more, or with a BMI of 27 or more with obesity-related risk factors such as high blood pressure or cholesterol. It can also have unpleasant side effects if used incorrectly. Originally, Xenical was a schedule 4 (S4, prescription only) drug. However, in October 2003, it was granted schedule 3 (S3, pharmacist only) status, which does not require a prescription. In

Industry Performance

Medicinal solutions continued

June 2006, pharmaceutical company Roche was given permission to advertise the drug to consumers using the brand name Xenical. S4 drugs cannot be advertised under any name at all.

In 2007, the National Drugs and Poisons Scheduling Committee withdrew permission for Xenical to be advertised

directly to consumers. However, it did not change Xenical's status from an S3 drug. Xenical has also received significant bad press, particularly in 2009 when it was linked to lowering blood pressure. This case demonstrates the challenges facing companies that offer medicinal solutions to the national weight problem.

Fierce competition

Despite increased integration by major players in the industry and their relatively large market shares, competition is intense as new players periodically appear in the market. Competition remains high between the major players. Weight Watchers' dominance in the prepared food and counselling services segments gives them a marked advantage. However, the growth of firms offering diet shakes as meal replacements, such as Tony Ferguson Weightloss, MediTrim and Kate Morgan Weight Loss, has ensured that competition continues. In response, Jenny Craig and other companies have enlisted the endorsement of celebrities to promote their products and services.

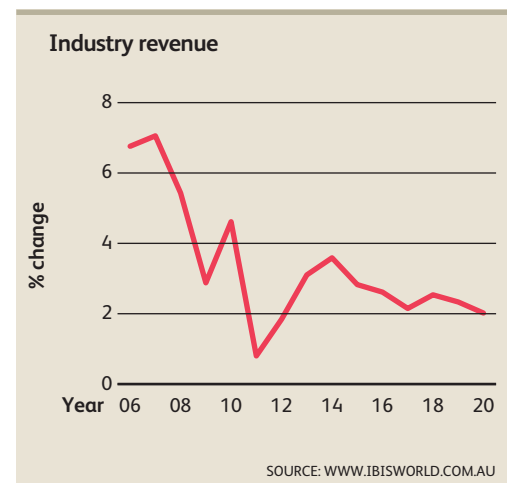
The industry is still profitable despite traditional forms of weight-loss services

struggling to post large profit increases in recent years as competition has driven down fees and increased promotional costs. IBISWorld estimates that industry profit will account for 11.1% of industry revenue in 2013-14, down from 12.0% in 2008-09 due to downward pressure on pricing from increased industry competition. As the industry has witnessed more alternative weight-loss options hitting the market, prices have been forced down.

IBISWorld estimates that in the five years through 2013-14, enterprise numbers increased at an annualised 1.7% to 1,893, increasing industry competition. This growth resulted in steady employment growth across the industry, at an estimated 1.8% per annum over the five years through 2013-14 to 4,250 workers.

Industry Outlook

The industry's prospects are healthy as obesity levels increase and weight-loss promotional activity grows through higher health consciousness. There is little indication that the ever-increasing rate of weight gain in Australia will slow over coming years, and consumer propensity to spend money to alleviate their weight problems remains high. Therefore, the longer-term prospects for the industry remain sound. Revenue is expected to grow at an annualised 2.5% over the five years through 2018-19 to \$728.0 million due to effective market penetration and integration of products and services by the industry's biggest players. The public's embrace of low-calorie, prepared meals will create a



particular growth area for the industry. In 2014-15, revenue is forecast to grow 2.8%.

Industry Performance

Weight-loss trends

The availability of obesity treatment drugs and supplements and a rise in the popularity of self-managed weight loss, which involves exercise in conjunction with a good diet, will drive growth. There has been some publicity relating to the dangers of frequent fast dieting and this may adversely affect demand for weight-reduction services. This publicity appears to have contributed to a move by some weight-reduction service providers towards describing their services as weight management, rather than weight-reduction services. The industry is now prohibited from advertising specified potential levels of weight loss during a certain period and this may reduce

demand from people seeking rapid weight-loss strategies.

The expected change in emphasis from weight-loss regimes toward self-management may cause specialised weight-loss counselling services to lose some market share to other industry operators. For example, suppliers of drugs, dietary foods, self-help websites, health farms, sport participation, gymnasiums and personal trainers may encroach on the market. Competition from alternative products will pressure firms in this segment to continue to expand their ranges of products and services to increase revenue and maintain profit.

Tough male market

The industry has the opportunity to expand the market for services provided to males. Over two-thirds of men are considered overweight or obese. Australian men are becoming more conscious of the health implications of being overweight, such as increased risk of heart disease and diabetes. However, most men are reluctant to attend weight-management groups. The weight-loss market is expected to continue to be dominated by female buyers at a forecast 77.0% of industry revenue in 2018-19. Therefore, the vast majority of marketing and advertising for weight-loss providers is aimed at women.

The possibilities for attracting male consumers to the industry rest heavily on the prepared food segment. The soft drinks sector found that its diet drinks appealed mainly to female consumers, so it developed similar products branded to appeal to male customers. This initiative may also be implemented within the weight-loss food market, as major

The industry has the opportunity to expand the market for services provided to males

companies adjust certain meals and food products to attract male customers.

From a marketing perspective, there is likely to be continued development in areas that the industry is already focusing on. Most notably is the expansion of the 'before and after' ad campaign, which follows a subject (often a celebrity) as they attempt to lose weight. Jenny Craig took on TV personality Magda Szubanski as a spokesperson in previous years and was able to build an ongoing campaign around her weight-loss efforts. This method is likely to become even more sophisticated, incorporating online marketing tools, in particular social networks, to increase brand recognition.

Industry Performance

New products and markets

While the industry continues to grow, intense competition will ensure that existing players are aggressive in developing new methods of helping customers with weight loss. One area of particular concern is the popular perception that customers of weight-loss groups tend to relapse and put on weight as soon as they cease their use of any given product or service. A likely response to this will be a far greater level of after-sales service, whereby clients are offered free occasional but ongoing consultation with their company of choice after they cease paying. Companies are also likely to continue to focus on integrating their services with new products. In particular, medicinal supplements and other drugs are expected to incorporate branding and support from major firms, provided there is minimal risk that the drug will be

involved with a Xenical-style controversy.

There is little indication that Australians will reduce expenditure on weight-loss products and services over the next five years. The ongoing focus on physical appearance in the media will continue to drive demand for weight loss. However, profit is likely to decline as the industry consolidates its activities and price competition becomes more prevalent. IBISWorld estimates industry profit will account for 10.5% of industry revenue in 2018-19. More enterprises in the industry are expected to put additional pressure on profit, with enterprise numbers forecast to increase at an annualised 1.1% in the next five years to almost 2,000. This will result in higher industry employment, which is forecast to grow at an annualised 1.7% to 4,630 workers.

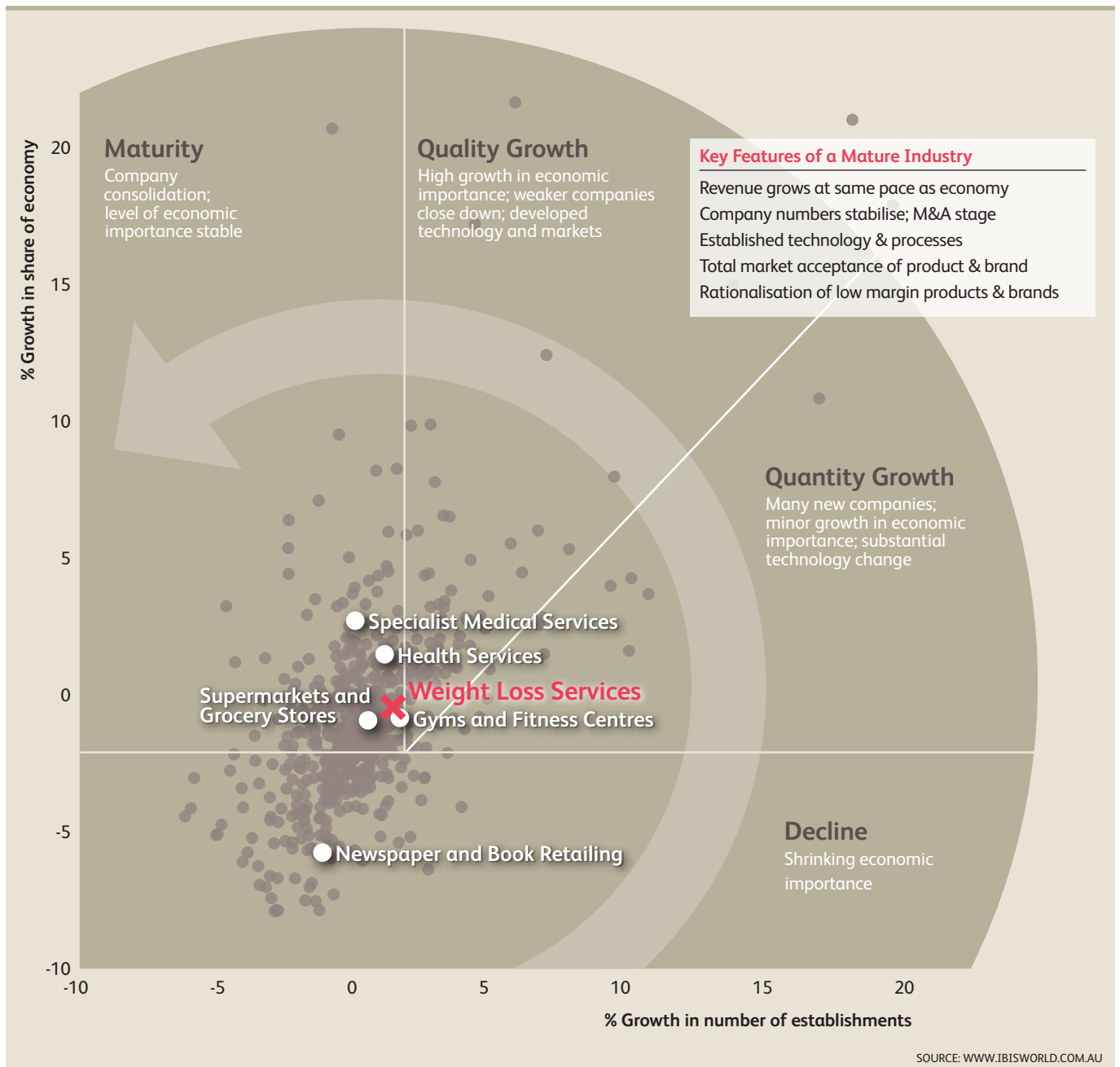
Industry Performance

Life Cycle Stage

Revenue growth remains robust even when demand is weak

The industry continues to attract new players

New products and services ensure existing firms retain market share



Industry Performance

Industry Life Cycle

This industry is **Mature**

Industry value added is estimated to increase at an annualised 2.1% in the 10 years through 2013-14, which is lower than estimated national GDP growth over the same period of 2.5%. Therefore, the industry is in the mature phase of its life cycle. Industry revenue growth has proven remarkably resilient to drops in consumer sentiment and economic uncertainty in past years. Also, industry growth continues to be mainly driven by females, with males estimated to only account for 20.0% of industry revenue in 2013-14, despite the very high obesity level.

The industry's products and services have been wholeheartedly embraced for some time, yet consumers continue to spend more on weight loss than ever. This is most likely due to a constant increase in the number of available weight-loss products and services on offer, and some dubious weight-loss claims and products made by some companies. Early in the industry's history, services focused almost entirely on providing advice, counselling and supervision as a part of the whole weight-

loss process. In recent years, the number of services and products also includes specialised dietary supplements, low-calorie food and drink, specialised shakes, and medicinal options.

Growth in the number weight-loss methods has not diluted market share for the industry's largest companies. Through carefully targeted marketing, the industry has increased the overall amount spent on weight-loss products and services. The average adult Australian woman now spends an estimated \$100 per year on weight loss (not including gyms and other more general methods of weight loss, such as organised sports), up from about \$60 a decade ago. Further, the fact that new male markets are yet to be tapped suggests that the industry still has significant scope for expansion. Developing a weight-loss campaign to appeal to the male market has proved difficult in the past. The majority of Australians that are overweight are men, indicating that industry players will pursue this market over the next decade.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

G4111	Supermarkets and Grocery Stores in Australia Supermarkets have embraced the popularity of low-fat and low-calorie foods, and as such demand new products from these providers.
G4244	Newspaper and Book Retailing in Australia Cookbooks are increasingly being written by authors sponsored by weight-loss firms. Book stores enjoy positive revenue from these sales.
Z	Consumers Companies and institutions cannot lose weight, therefore it is consumers that the industry targets.

KEY SELLING INDUSTRIES

F	Wholesale Trade Food and drink wholesalers are an important link in the chain, particularly for companies that import specialised food, drink and supplements.
Q8400	Health Services in Australia Surgical options for weight loss, which are growing in popularity, rely on the Health care sector.
Q8512	Specialist Medical Services in Australia Many weight-loss firms have psychologists on staff to assist in the counselling process.
S9539	Babysitting and Other Personal Services in Australia Personal trainers are an increasingly important part of weight-loss firms' holistic approach to serving customers.
X0013	Organic Farming in Australia Some industry players prepare meals themselves, and buy ingredients from farms directly.

Products & Services

The main service segment in the industry is weight-loss counselling services, which are estimated to account for 51.7% of industry revenue in 2013-14, and dietary food and supplement products, making up for 43.6% of industry revenue.

Individual weight-loss counselling services

Weight-loss counselling services once accounted for the entire industry, and were divided into individual and group services. IBISWorld estimates that individual weight-loss counselling services will account for 36.9% of industry revenue in 2013-14, up from 34.7% in 2008-09 at the expense of group sessions. More people are opting to undertake individualised weight-loss programs tailored to specific needs to meet their targets. Growth in this segment is expected to continue over the next five years to account for about 37.7%

of industry revenue in 2018-19.

Group weight-loss counselling services

Group weight-loss counselling services were once the largest segment for the industry, with these types of programs from companies such as Weight Watcher being extremely popular. However, with greater demand for customised programs and increased flexibility with meeting times, this segment has declined. IBISWorld estimates the segment will account for 14.8% of industry revenue in 2013-14, down from 20.5% in 2008-09. Another factor contributing to the segment's decline is a surge in smartphone and computer programs that can store and monitor user food consumption and exercise levels, reducing the need for group meetings.

Fresh and frozen dietary meals

Companies that offer counselling services

Products & Markets

Products & Services continued

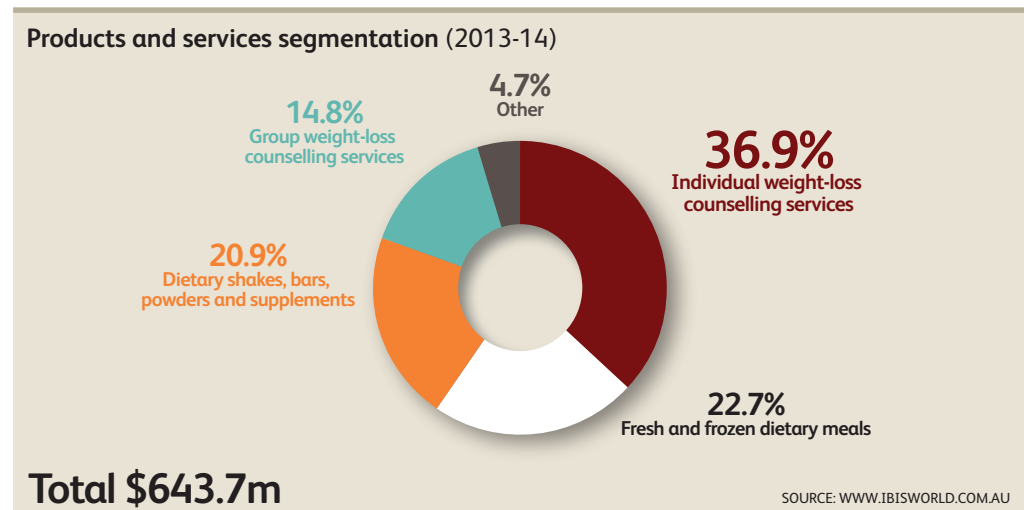
have been market leaders in the introduction of new products and services to the consumer. Weight Watchers and Jenny Craig have developed extensive diet food ranges for consumers. Other companies such as Lite n' Easy mainly operate in the fresh and frozen dietary food segments, with limited counselling support. This segment is estimated to have grown from 21.1% of industry revenue in 2008-09 to 22.7% in 2013-14, as demand for fresh meals increases steadily and people become more time poor. Industry integration is most evident in the rapid growth of the Weight Watchers' frozen food segment. Weight Watchers controls about one-third of the frozen dinner market and has products in the desserts and snacks section of the supermarket freezer. As a result, new weight-loss companies need to offer their own variety of low-fat and low-calorie foods to compete.

Dietary shakes, bars, powders and supplements

Dietary supplements, such as shakes, bars and pills, are increasing as a proportion of the industry. However, not all products branded low fat, low calorie, fat free, diet or light are included in the industry. Products in the industry must be specifically labelled and branded with a focus on weight loss to be included in this segment. IBISWorld estimates this segment will account for 20.9% of industry revenue in 2013-14, up from 18.8% in 2008-09, and with further growth forecast through 2018-19 to 21.7%.

Other

Medicinal options, such as Xenical, make up a much smaller industry segment. The inability to advertise or sell in locations other than pharmacies inhibits growth possibilities for medical weight-loss options.



Demand Determinants

Demand for weight-reduction services is influenced by the number of overweight and obese people in society, as well as social attitudes to weight and obesity. Australia now has one of the highest rates of obesity in the world. Data from the latest available Australian Bureau of Statistics (ABS) Australian Health Survey 2011-12 (4364.0) shows that the combined rate of overweight and obese is

70.3% for males aged over 18 years, and 56.2% for women in the same age group. The situation is similar for children and adolescents. An estimated 20.0% to 25.0% of Australian children aged five to 17 years are considered to be overweight or obese. As many of these people are at risk of becoming overweight or obese adults, preventing and managing obesity in children has become a major priority.

Products & Markets

Demand Determinants continued

Demand for the industry has been positively influenced by the large amount of research that outlines the adverse health consequences of excess weight, such as heart disease, diabetes, high blood pressure, coronary heart disease and some cancers. Demand is also influenced

by the extent of self-management of personal weight control programs, competition from businesses not included in this industry (doctors, dieticians, fitness centres and food manufacturers), and the prevalence and success of drugs that can assist in weight management.

Major Markets

The major market segments for the industry are: females aged 30 to 45 years, females aged 46 to 64 years, males aged 15 to 45 years, females aged 15 to 29 years, females aged over 65 years, and males aged over 65 years.

Females aged 30 to 45 years

Despite the prevalence of overweight men in Australia, the vast majority of spending on weight-loss products and services comes from women at about 80.0% of industry revenue. Further, the largest industry market segment is women between 30 and 45 years, which is estimated to account for 34.0% of industry revenue in 2013-14, up from 33.0% in 2008-09. Social pressures to be slim, weight gain following childbirth, and a lack of time to prepare nutritious meals and exercise are key reasons for this segment being so large. A high proportion of women in the segment also have the financial capacity to purchase weight-loss products and services from the industry.

Females aged 46 to 64 years

Females aged 46 to 64 years are estimated to account for 27.0% of industry revenue in 2013-14. This segment is also significant due to biological reasons for weight gain across the segment, as well as social pressures to maintain a low weight. However, this segment is estimated to have declined in size in the past five years, from 32.0% in 2008-09 due to stronger growth in other market segments, particularly males.

Males aged 15 to 45 years

The major anomaly in the industry's target markets is the absence of men.

According to the Australian Bureau of Statistics (ABS), men are more likely to be overweight than women, but are estimated to only account for 20.0% of industry revenue in 2013-14. Male consumers have presented significant challenges to engage the industry due primarily to cultural forces, as well as a higher percentage of males that attend fitness centres and gyms as part of weight control programs. In 2013-14, males aged 15 to 45 years are estimated to account for 13.0% of industry revenue, up from 10.0% in 2008-09 due to greater advertising and marketing targeting this segment. This upward trend is expected to increase in the next five years to account for 15.0% of industry revenue in 2018-19.

Females aged 15 to 29 years

Younger women spend less on weight loss, primarily due to the fact that they tend to have lower incomes. The bulk of their weight-loss spending is on diet foods and dietary supplements, rather than weight-loss services. Women in this age group are also more likely to be members of fitness clubs or gyms as part of a weight control program. In 2013-14, this segment is estimated to account for 11.0% of industry revenue, up from 10.0% in 2008-09 due to increased obesity levels in the segment.

Females aged over 65 years

Females aged 65 and over are estimated to account for 8.0% of industry revenue in 2013-14. Women within this segment tend to naturally lose body fat and muscle as part of the ageing process. Coupled with generally lower incomes, this segment only accounts for a small percentage of industry participants. General growth

Products & Markets

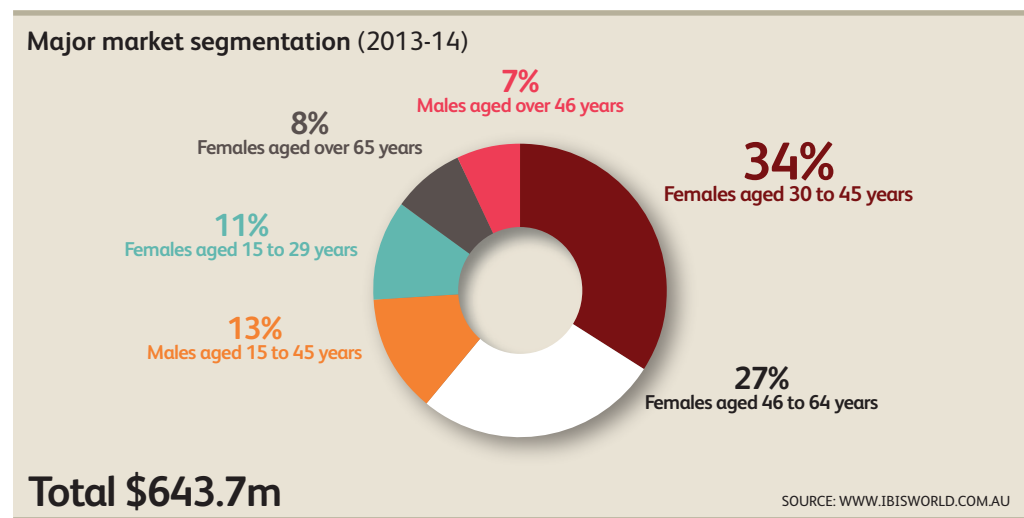
Major Markets continued

across most other sectors is expected to result in this segment declining to 7.0% of industry revenue in 2018-19.

Males aged over 46 years

The smallest market segment for the industry is males aged 65 and over. Although a high proportion of males in the segment are overweight, men are less likely to utilise the industry's products

and services due to cultural pressures. This is despite weight-loss companies specifically targeting this segment through promotions and advertising. Overall, this segment is estimated to account for 7.0% of industry revenue in 2013-14, up from 6.0% in 2008-09 due to this increased marketing, with further growth forecast to 8.0% of industry revenue in 2018-19.



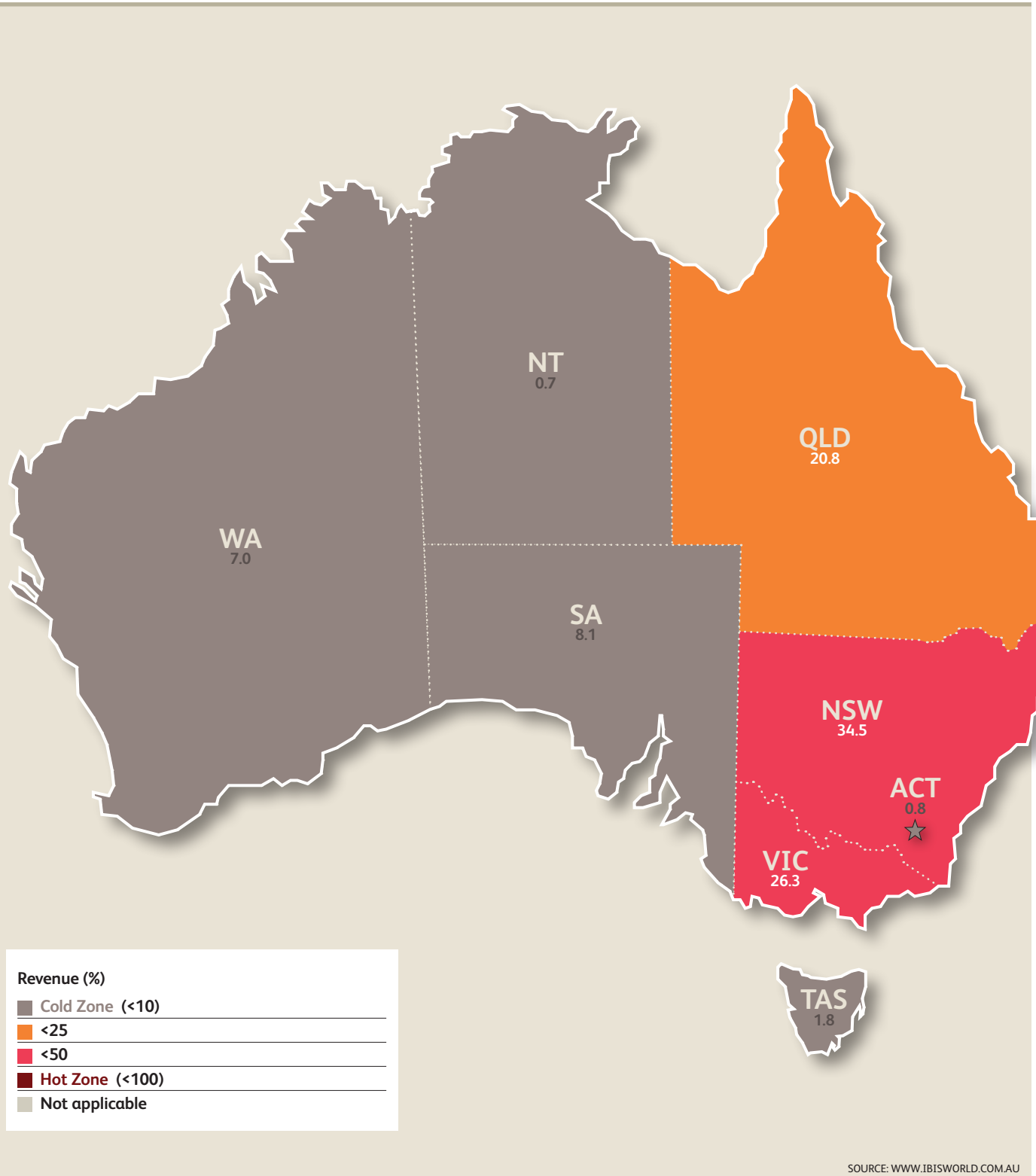
International Trade

There is a small amount of international trade taking place in the industry, as some of the foodstuffs manufactured for weight-loss purposes are exported and imported. In particular, these are shipped to nearby

markets, such as New Zealand, as Jenny Craig and Weight Watchers have Asia-Pacific integrated operations. However, international trade of industry goods are included within the manufacturing sector.

Products & Markets

Business Locations 2013-14

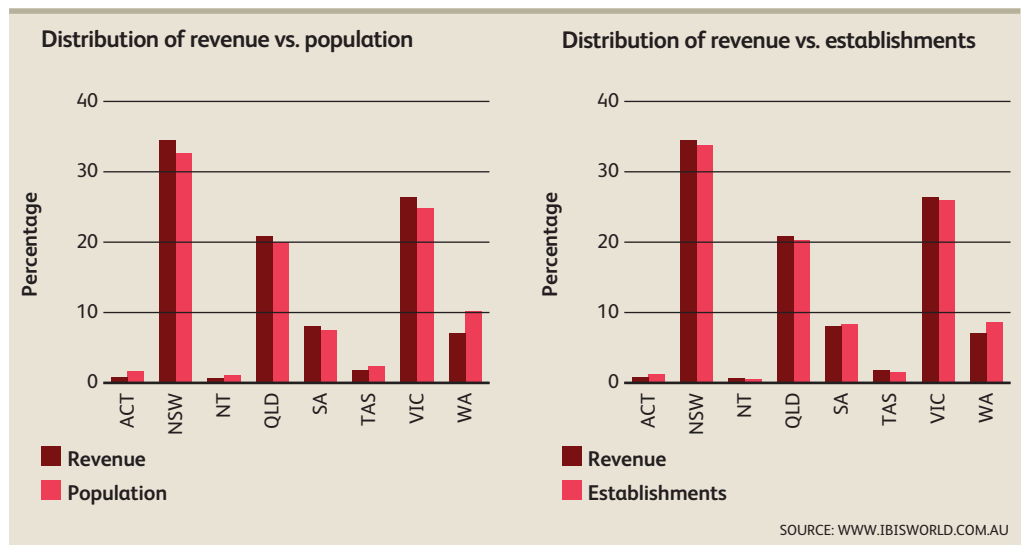


Products & Markets

Business Locations

New South Wales, Victoria and Queensland together account for an estimated 78.4% of industry revenue due to the high population levels in these states. A high proportion of industry establishments are located in these states, as these tend to locate near large population centres. Per capita, the Australian Capital Territory has a high level of contribution to the industry, as average earnings are high. Likewise, Western Australia has high average earnings. However, much of the state's high-wage jobs are in the male-dominated mining sector where demand for industry services is low. As a result, the three largest states have a greater share of revenue per capita than smaller states with high obesity levels.

Despite these factors, obesity levels also tend to correlate closely with falling socioeconomic indicators, as high unemployment and low disposable incomes lead to higher levels of obesity. This is driven primarily by longer, less regular work hours coupled with the excess costs of buying fresh food, rather than processed foods that tend to be higher in calorie content. Further, there can be less organised sport taking place in some of these areas, while families and individuals are less able to afford the time or money to engage in these activities. However, this lack of time and money also means that there is less incentive to pay for weight-loss services. Wealthier areas tend to be thinner, but also more inclined to invest in weight-loss assistance.



Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalisation

Market Share Concentration

Level
Concentration in this industry is **Low**

The two largest weight-loss companies, Weight Watchers and Jenny Craig, are well-known operators in the industry and offer a wide range of weight-loss products and services. The two firms also dominate the weight-loss counselling market, accounting for about half of the counselling services segment. As Australians continue to spend more on weight-loss solutions, there has been a steady supply of new products and services. There has been a steady increase in the number of smaller competitors entering the market to capture some market share from the large firms. The four largest firms in the industry are estimated to account for 38.6% of industry revenue in 2013-14, which is at the upper-end of the low concentration parameter. A

concentration percentage above 40.0% indicates an industry has a medium concentration level, meaning that the larger players have a greater level of market power.

There has been a large increase in the number of online companies offering quick-fix weight-loss pills and solutions, as well as online targeting of potential customers to these products. However, industry associations, medical experts and consumer groups have questioned the veracity and legitimacy of many of these products, with the largest companies tending to overcome many of these competitors. This has resulted in industry concentration increasing in the past five years, with the largest four firms estimated to account for about 35.1% of industry revenue in 2008-09.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Market research and understanding

Clear knowledge of the weight-loss needs and wants of potential customers is critical in shaping the industry's product and service mix.

Ability to franchise operations

Franchising is a way for weight-loss companies to expand and enter new regions, while minimising operational risk.

Establishment of brand names

Prominent branding is critical in gaining market share. Intensive promotions come as a part of this, and associations with relevant celebrity weight-loss endorsements can improve their brand efficiently.

Developing relationships with related producers

The industry's growing level of integration is making it more important for weight-loss companies to form positive relationships with food manufacturers. Weight Watchers' success has been founded from forming such alliances.

Ability to effectively change community behaviour

Through aggressive promotion, companies in the industry are often successful at encouraging the notion that their services are essential to achieving weight loss.

Cost Structure Benchmarks

The industry's cost structure varies greatly across different segments as counselling costs often differ greatly from prepared food segments. However, across the industry at large, the bulk of revenue is spent on wage costs and purchasing stock.

Profit

Industry profit is relatively high at an

estimated 11.1% of industry revenue in 2013-14. Despite high variable costs for the industry, steadily rising demand for services and strong branding means that prices can be kept high. Further, companies such as Weight Watchers, Jenny Craig and Lite n' Easy compete on a product and service-based level, as opposed to differentiating on price. However, increased industry competition

Competitive Landscape

Cost Structure Benchmarks continued

has resulted in tighter profit margins in recent years, with industry profit estimated to decline from 12.0% in 2008-09.

Purchases

Industry costs were once overwhelmingly dominated by wages paid to counsellors and administrators. However, continued growth in the prepared food and weight-loss supplements segments has increased the industry proportion of purchase costs. In 2013-14, purchase costs for weight-loss foods are estimated at 41.6% of industry revenue and are the single largest expense for the industry. This is up from 41.0% in 2008-09 and is forecast to increase to 42.8% in 2018-19 as the number of companies that provide specialised food products increases. While major firms, such as Weight Watchers, have increasingly branched into food provision as well as counselling services, many new competitors focus solely on providing food, beverages and dietary supplements. Further, accompanying printed or digital assistance may also be offered instead of

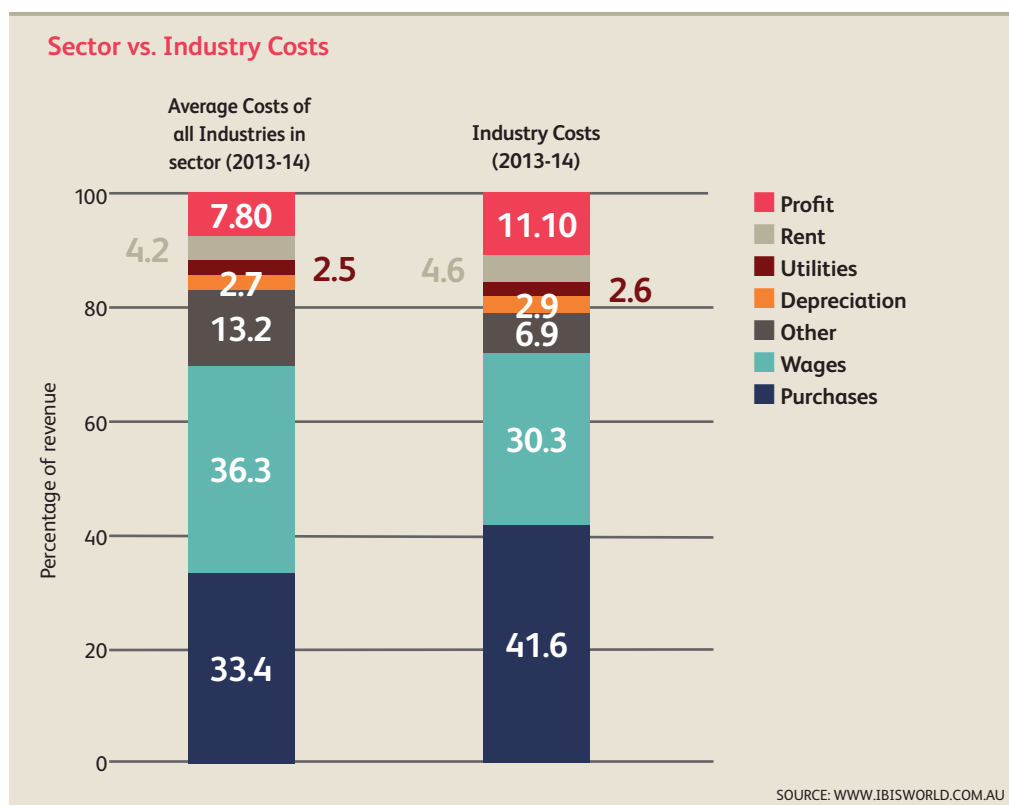
personalised advice, which reduces wage costs and ensures that purchases remain as a proportion of industry revenue.

Wages

Wage costs remain high in the industry, despite a shift from counselling services to food products and services. Counselling services remain the predominant segment in the industry and are highly labour intensive. IBISWorld estimates that industry wages will account for 30.3% of industry revenue in 2013-14, down from 30.4% in 2008-09. As firms in the industry employ well-trained, qualified counsellors and psychologists, as well as lower-paid administrators and casual employees, wage costs remain relatively high.

Other

Other costs in the industry are for advertising, insurance, communications, accounting and other miscellaneous expenses. As competition between recognised brands can be high, advertising and marketing campaigns



Competitive Landscape

Cost Structure Benchmarks continued

account for a moderate proportion of industry revenue, estimated at 3.9% in 2013-14. Companies such as Jenny Craig and Weight Watchers increasingly favour a highly integrated marketing campaign built around an ongoing advertising model. These companies utilise

spokespeople to promote their products and services, incorporating online and media advertising. Although these campaign costs can be high, exposure through a complex and integrated campaign can increase client numbers and boost profit.

Basis of Competition

Level & Trend
Competition in this industry is **Medium** and the trend is **Increasing**

Companies compete with each other across various product, service and market segments (internal competition), as well as with companies and organisations in competing industries (external competition), such as weight-loss surgery and fitness centres.

Internal competition

Internal industry competitiveness is high due to a large number of companies competing to service a moderate number of potential clients looking for additional help to lose weight. The ongoing integration of food services, products and counselling means that the industry is becoming more competitive and large companies will continue to enter and develop new segments in an effort to offer a holistic range of options to potential customers. Weight-reduction services compete on the basis of a combination of advertising, reputation, quality of advisory services, and any proprietary dietary food products. Company reputation and quality perception are often based on the period of time in which acceptable weight loss occurs and the public perception of whether the weight can stay off. Further, while companies that operate in different segments may offer entirely different methods for losing weight, potential clients will always balance cost as a part of their decision.

Some weight-reduction services prescribe their own food products, which are an additional revenue source, while

others prescribe independent dietary menus. Some weight-reduction services also compete with food manufacturers and distributors that supply low-calorie and diet products. Advertising is important in winning business in the industry and it represents a significant cost to firms. Advertising tends to be targeted at consumers in defined demographic segments and seeks to promote the success of past customers, often celebrities, in losing weight.

External competition

An extreme form of external competition is gastric band surgery. At a more accessible level, external competition comes in the form of diet food and beverage products, which many individuals attempting to lose weight will purchase in an effort to avoid the formalised programs provided by larger weight-loss clinics. This includes diet varieties of existing products such as low-fat yoghurt, and specialised diet products such as Slim Fast. The booming popularity of fitness and gyms, as well as participation in organised sports, represents a challenge to the income of weight-loss providers. In response to this, the bulk of weight-loss companies advertise that their services and products need to be taken as part of a holistic approach to weight loss, including physical activity. The longer-term response may involve a greater level of coordination between weight-loss companies and fitness groups and gyms.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Increasing**

As the industry becomes more integrated and more competitive, barriers to industry entrants grow more prohibitive. While costs involved in the more traditional counselling services sector have historically been moderate, companies now offer services and products across a variety of industry segments. The result is that clients are faced with more appealing offerings from larger players, forcing new companies to compete almost solely on price, which makes promotions challenging. Further, the growing level of integration is itself a cost barrier, as new companies are faced with the prospect of developing new foods, drinks and supplements, as well as offering personal services. While some new firms attempt to focus on only one of these segments, there is a substantial barrier to gaining new markets from this, as larger firms tend to control a large share of the market.

Beyond the challenges of increasing market share while competing with well-established major companies, new firms must contend with high production costs and the development of any proprietary, low-calorie products. Advertising costs are even more

Barriers to Entry checklist	Level
Competition	Medium
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM.AU

challenging for new companies. Established firms have extensive advertising and marketing budgets, which makes gaining exposure particularly difficult. One example of a recent successful new entrant has been Tony Ferguson Weight Loss, which based its original marketing campaign on an alliance with Terry White Chemists. This allowed the company to share its advertising budgets and to benefit from being associated with a widely known and respected medical services company. Most new companies lack the capacity to develop these associations. Therefore, new companies that lack an innovative new product or service will face growing challenges in entering the market.

Industry Globalisation

Level & Trend
Globalisation in this industry is **Medium** and the trend is **Steady**

While the industry's biggest firms do have international links, the industry is made up of a large number of local companies. A major exception to this is Weight Watchers, which is an American-owned company with divisions established in many Western countries. Although Jenny Craig started in Australia several decades ago, it is now part of Swiss food giant Nestle.

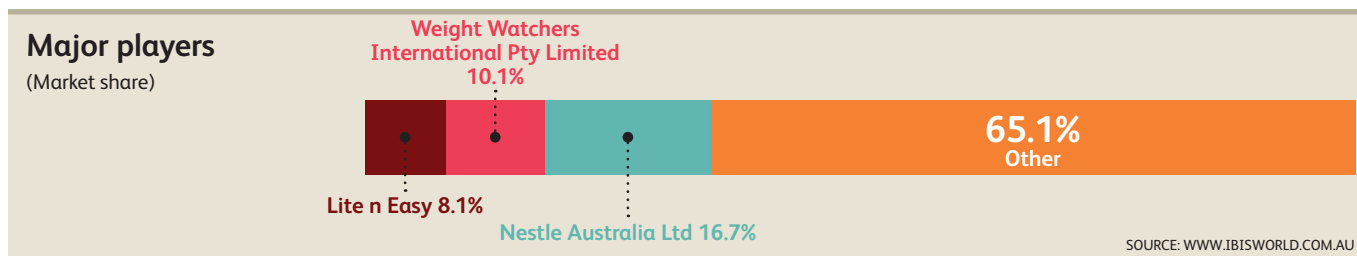
There is a possibility that international firms entering the domestic market could

drive future growth in the industry. In the United States, weight-loss services are also booming. However, this may be preventing international growth by major players in that country or other countries. Solid growth in the United States means that competition for an expanding market is intense, and many US companies dare not expend resources on expanding to a comparatively small market such as Australia, when new US markets can be equally valuable and far less costly.

Major Companies

Nestle Australia Ltd | Weight Watchers International Pty Limited

Lite n Easy | Other Companies



Player Performance

Nestle Australia Ltd
Market share: 16.7%

Industry Brand Names
Jenny Craig

Jenny Craig Inc is one of the largest weight-management service companies in the world. Jenny Craig and her husband established Jenny Craig Weight Loss Centres in Melbourne in 1983 as a weight-management service. Two years later, the couple duplicated their Australian program in the United States, which ultimately became the base for global operations. The parent of Jenny Craig Weight Loss Centres, US-based Jenny Craig Inc, was a listed company until early 2002, when it was acquired by a private investment group led by ACI Capital Co Inc and MidOcean Partners. In 2006, the international arm of Jenny Craig Inc was sold to French food giant Nestle SA for about US\$600 million. During December 2010, the company that controlled the master franchise for Jenny Craig Australia was also sold to Nestle. As at mid-2013, Jenny Craig centres were located 95 across Australia, with

franchises accounting for about 20.0% of business.

Financial performance

Financial information for Jenny Craig Australia is not available from 2010-11. Since then, revenue is estimated to have increased at a steady rate due to steady membership growth and higher advertising levels. IBISWorld estimates that Jenny Craig's revenue increased from \$73.9 million in 2007-08 to an \$105.0 million in 2012-13, representing annualised growth of 7.3% in nominal terms. This is higher than overall industry growth of 5.3% per annum in nominal terms. Revenue and profit growth were high in 2009-10 due to increased advertising and the use of celebrities in ad campaigns, resulting in higher membership. In June 2006, the company announced that it would invest up to \$30.0 million over the four years through 2010 to rejuvenate its brand in Australia.

Jenny Craig Weight Loss Centres – financial performance

Year	Revenue (\$ million)	(% change)	NPBT (\$ million)	(% change)
2007-08	73.9	N/C	0.5	N/C
2008-09	71.4	-3.4	1.1	120.0
2009-10	93.5	31.0	9.7	781.8
2010-11*	97.0	3.7	N/A	N/C
2011-12*	100.0	3.1	N/A	N/C
2012-13*	105.0	5.0	N/A	N/C

*Estimate

SOURCE: IBISWORLD

Major Companies

Player Performance

Weight Watchers International Pty Limited
Market share: 10.1 %
Industry Brand Names
Weight Watchers

Weight Watchers is the world's largest weight-management company with total sales of over US\$1.8 billion (\$1.8 billion) in 2012. It offers a wide range of products, publications and programs for people interested in weight loss and weight control. The company was established in New York in 1963 and was acquired by US-based HJ Heinz Company in 1978. In October 1999, Heinz sold Weight Watchers International Inc to a private equity group for US\$735 million, which listed the company on the New York Stock Exchange in 2001. As at December 2012, the company had about 27,000 direct employees and a further 27,000 service providers across 30 countries. Weight Watchers Australia runs about 1,000 group meeting locations with 70,000 in attendance. About 96.0% of Weight Watchers' members are women.

Financial performance

Weight Watchers International Inc reports Australian revenue through its Australia, New Zealand and other

Weight Watchers – industry segment performance**

Year*	Revenue (\$ million)	(% change)
2007-08	46	N/C
2008-09	48	4.3
2009-10	54	12.5
2010-11	68	25.9
2011-12	64	-5.9
2012-13	63	-1.6

*Year end December **Estimate

SOURCE: IBISWORLD

Weight Watchers International (Australia, New Zealand and other division) – financial performance

Year*	Revenue (\$ million)	(% change)
2008	57.9	N/C
2009	55.8	-3.6
2010	66.9	19.9
2011	91.2	36.3
2012	79.6	-12.7
2013**	78.0	-2.0

*Year end December **Estimate

SOURCE: IBISWORLD

division. IBISWorld estimates that 80.0% of revenue generated by the division is applicable to the industry in Australia. The company's industry-specific revenue is estimated to increase at an annualised 6.5% to \$63.0 million, outperforming the industry. The company increased advertising and membership at a faster rate than the overall industry, and increased sales of its food products across a greater number of distributors. This growth trend is forecast to continue over the next five years.

With its successful expansion into providing prepared foods for sale at grocery stores and supermarkets, Weight Watchers competes directly with Jenny Craig. The company now controls an estimated one-third of the frozen-meal market. This has provided an additional avenue for promoting the company's more profitable counselling services. Margins for frozen-meal products are low, as a great deal of revenue from the frozen foods and prepared foods segments goes to manufacturers.

Major Companies

Player Performance

Lite n Easy
Market share: 8.1 %

Founded in 1989, Lite n' Easy straddles two traditional forms of weight-loss provision: prepared food and weight-loss services. The company is based in Brisbane and has operations in other states. Lite n' Easy prepares meals designed to assist in weight loss and delivers them directly to customers' homes. Lite n' Easy does not provide one-to-one counselling or other personalised services. It provides nutritional information via an in-house dietician or nutritionist. Customers can choose to have a combination of prepared breakfast, lunch, dinner and snack products delivered, which amount to a specified number of calories.

Financial performance

Lite n' Easy is forecast to have grown steadily over the past five years through new memberships and extensive advertising. Lite n' Easy is estimated to grow at an annualised 5.2% in nominal

Lite n Easy – financial performance*

Year	Revenue (\$ million)	(% change)
2007-08	38	N/C
2008-09	39	2.6
2009-10	41	5.1
2010-11	44	7.3
2011-12	46	4.5
2012-13	49	6.5

*Estimate

SOURCE: IBISWORLD

terms over the five years through 2012-13 to \$49.0 million. This is in line with growth in the overall industry. The company is expected to continue to grow at a steady rate over the next five years as it gains new members.

Other Companies

Tony Ferguson Weight Loss

Estimated market share: 3.7 %

Tony Ferguson Weight Loss is a program developed by former pharmacist Tony Ferguson. It entered the industry on an advertising and promotional campaign in conjunction with Terry White Chemists. This helped the company lend medical and nutritional credence to its product and service offerings. People can buy Tony Ferguson products, such as diet shakes, soups, meals, supplements, bars and snacks, from Terry White chemists. The standard template for weight loss varies little from company to company and the recent success of Tony Ferguson Weight Loss is an indication of the importance of a successful marketing campaign.

Cohen's Weight Loss Clinic Australia

Estimated market share: 2.6 %

Cohen's Weight Loss Clinic has a dozen

centres in Australia and develops individual weight-loss plans for members based on blood tests and hormone levels. These plans focus on food types, quantities and combinations, and do not incorporate an exercise regime. IBISWorld estimates the company will account for about 2.9% of industry revenue in 2012-13.

Kate Morgan Pty Ltd

Estimated market share: 2.1 %

Based in Melbourne, Kate Morgan Pty Ltd operates in the industry by providing weight-loss consultations through affiliated chemists, which also sell Kate Morgan meal replacement products. These products include shakes, bars, soups and cereals, which can be purchased in multi-week packs. members are able to join the program online or at a participating chemist.

Operating Conditions

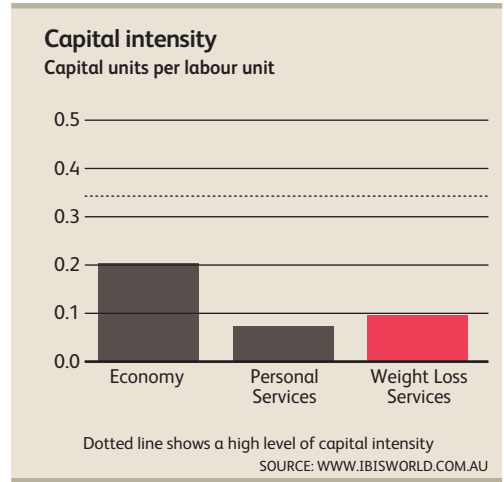
Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

Level
 The level of capital intensity is **Low**

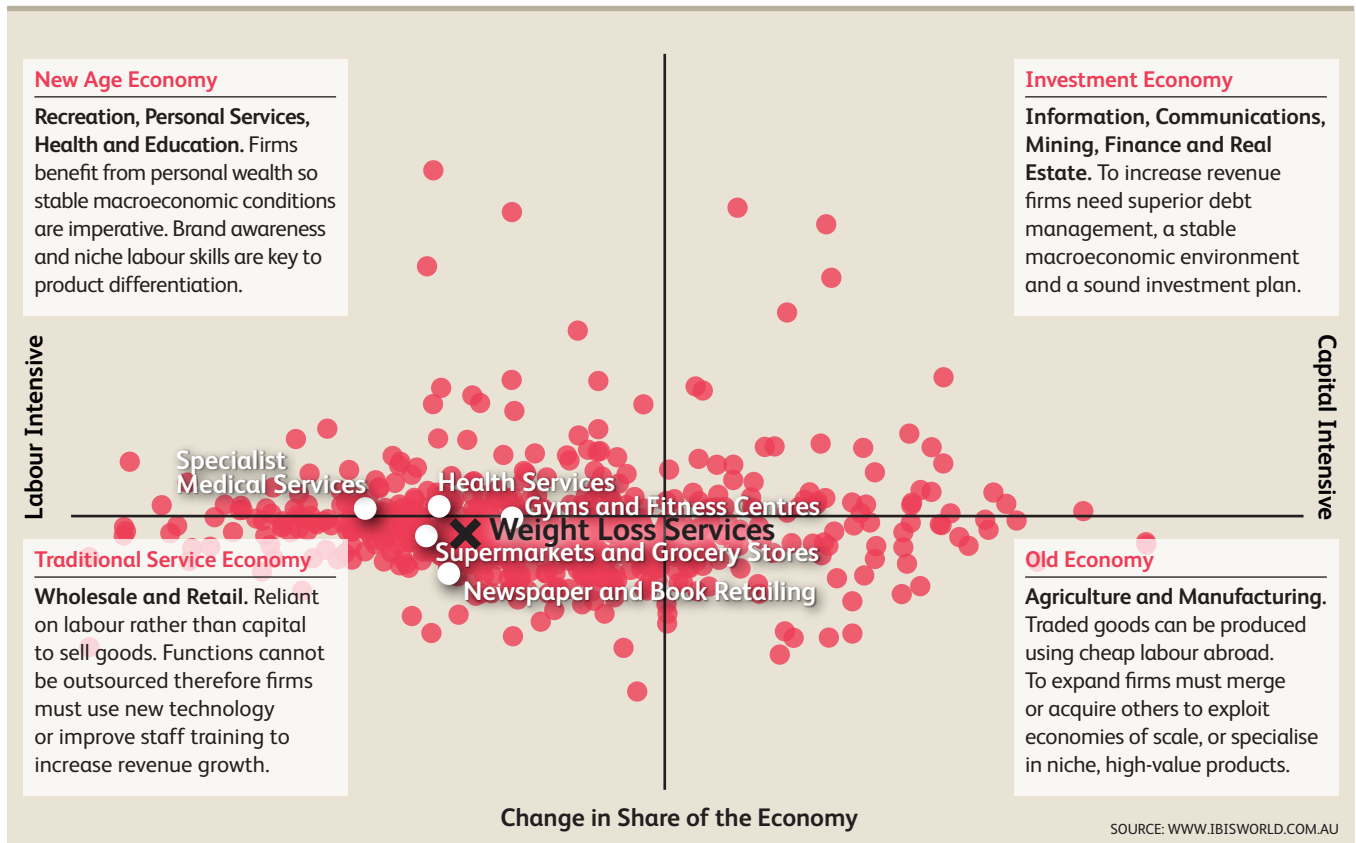
While weight-loss provision is less labour intensive than other personal services, it is still a highly labour-oriented industry. Many providers still offer interpersonal interaction, while investment in capital remains fairly negligible. Companies that provide diet food and supplements tend to outsource their production facilities to existing food manufacturers and pay for branding rights.

Labour costs are estimated to account for 30.3% of industry revenue in 2013-14, while depreciation expenses are expected to make up 2.9%. The capital intensity of the industry can be determined by the ratio of depreciation to wages, which is the amount of labour used for each unit of capital. IBISWorld estimates that for every dollar spent on capital, another \$10.44 is spent on



labour. This is a low capital intensity level due to the relatively high labour requirements across the industry's product and service segments.

Tools of the Trade: Growth Strategies for Success



Labour Intensive

Capital Intensive

Specialist Medical Services
 Health Services
 Gyms and Fitness Centres
X Weight Loss Services
 Supermarkets and Grocery Stores
 Newspaper and Book Retailing

Operating Conditions

Technology & Systems

Level
The level of Technology Change is **Medium**

There is low use of technologies or systems in most segments of the industry. Larger companies have invested heavily in developing a strong online presence to advertise their services, sell memberships, and develop online communities through chat rooms and blogs. Firms in the industry utilises new technologies to deliver improved services and maintain competitiveness.

New drugs, supplements and dietary regimes continue to be developed to

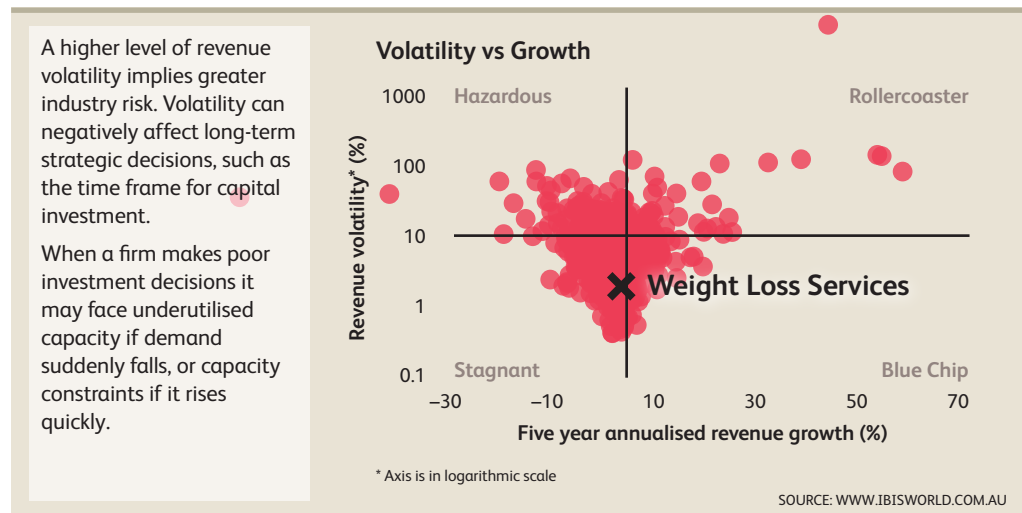
assist weight control. Scientific research in the areas of human growth hormones and genetics is expected to provide more effective weight-reduction processes. New non-prescription weight-loss supplements such as capsaicin, Ginkgo biloba and guarana have grown in popularity over the past few years, along with highly promoted weight-loss products, including Optifast, Slim Life, Body Lean, Fat Breaker, Fatsorb and Exofat.

Revenue Volatility

Level
The level of Volatility is **Low**

Industry growth is driven by increases in obesity levels, as well as consumer sentiment and disposable income levels. While general weight levels remain in a state of regular and robust growth, there is minimal volatility in revenue growth. In the five years through 2013-14, industry revenue volatility has been low due to steady demand growth for the industry's products and services as more obese people look for ways to trim down.

The increasing level of weight gain in Australia and a constant level of social pressure on maintaining an aesthetically pleasing appearance, mean that many Australians still manage to find sufficient money to pay for at least some level of weight-loss services, even during times of economic hardship. These factors are also expected to drive solid industry growth in future years, with low revenue volatility forecast for the five years through 2018-19.



Operating Conditions

Regulation & Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Increasing**

The Weight Management Industry Code of Practice was developed in 1997 by a committee that included major industry players; the Victorian Chamber of Commerce and Industry; and, the Federal Government. The sixth edition of the code was released in May 2013. The code is enforced by the Weight Management Council Australia, which is comprised of four representatives from the fitness and diet industries. The code sets out standards of advertising, dispute resolution, staff training and sales practices (including a prohibition on guarantees of weight loss).

The committee recommended the formation of an association to implement

and enforce the code. Membership of the code is voluntary, while membership requires compliance with the code. The code stipulates that within five years of its introduction, all members must have supplied data to the Administration Council on the success rates they have achieved for their clients with their programs and products. Members are also obliged to disclose the qualifications of their consultants.

In terms of the industry's growing level of medicinal weight-loss products, they are regulated by organisations such as the Therapeutic Goods Administration (TGA), which enforces the efficacy and safety of Australian pharmaceuticals.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

There is no assistance offered to weight-loss providers. Although some firms in the sector have appealed for government assistance on the basis that they can limit growth in the number of overweight

Australians, these have been largely unsuccessful to date. Further, none of Australia's weight-loss pharmaceutical goods or dietary supplements is on the Pharmaceutical Benefits Scheme (PBS).

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand
2004-05	452.7	212.3	2,415	1,536	3,290	--	--	147.1	N/A
2005-06	483.3	228.0	2,488	1,582	3,450	--	--	153.0	N/A
2006-07	517.4	238.2	2,632	1,669	3,680	--	--	164.1	N/A
2007-08	545.5	249.3	2,707	1,712	3,800	--	--	169.2	N/A
2008-09	561.2	253.5	2,748	1,736	3,880	--	--	170.7	N/A
2009-10	587.1	263.7	2,831	1,785	3,970	--	--	176.5	N/A
2010-11	591.8	265.2	2,867	1,798	3,990	--	--	180.0	N/A
2011-12	602.7	267.8	2,899	1,822	4,040	--	--	182.5	N/A
2012-13	621.4	275.3	2,957	1,856	4,120	--	--	186.3	N/A
2013-14	643.7	284.7	3,019	1,893	4,250	--	--	194.9	N/A
2014-15	661.9	291.3	3,081	1,929	4,340	--	--	199.3	N/A
2015-16	679.2	297.6	3,121	1,953	4,420	--	--	203.1	N/A
2016-17	693.8	302.0	3,149	1,968	4,480	--	--	206.5	N/A
2017-18	711.4	307.5	3,180	1,986	4,560	--	--	210.7	N/A
2018-19	728.0	311.4	3,201	1,998	4,630	--	--	214.2	N/A
Sector Rank	15/20	15/20	11/20	11/20	14/20	N/A	N/A	14/20	N/A
Economy Rank	525/631	487/631	192/631	199/630	421/631	N/A	N/A	456/631	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2005-06	6.8	7.4	3.0	3.0	4.9	N/A	N/A	4.0	N/A
2006-07	7.1	4.5	5.8	5.5	6.7	N/A	N/A	7.3	N/A
2007-08	5.4	4.7	2.8	2.6	3.3	N/A	N/A	3.1	N/A
2008-09	2.9	1.7	1.5	1.4	2.1	N/A	N/A	0.9	N/A
2009-10	4.6	4.0	3.0	2.8	2.3	N/A	N/A	3.4	N/A
2010-11	0.8	0.6	1.3	0.7	0.5	N/A	N/A	2.0	N/A
2011-12	1.8	1.0	1.1	1.3	1.3	N/A	N/A	1.4	N/A
2012-13	3.1	2.8	2.0	1.9	2.0	N/A	N/A	2.1	N/A
2013-14	3.6	3.4	2.1	2.0	3.2	N/A	N/A	4.6	N/A
2014-15	2.8	2.3	2.1	1.9	2.1	N/A	N/A	2.3	N/A
2015-16	2.6	2.2	1.3	1.2	1.8	N/A	N/A	1.9	N/A
2016-17	2.1	1.5	0.9	0.8	1.4	N/A	N/A	1.7	N/A
2017-18	2.5	1.8	1.0	0.9	1.8	N/A	N/A	2.0	N/A
2018-19	2.3	1.3	0.7	0.6	1.5	N/A	N/A	1.7	N/A
Sector Rank	3/20	1/20	6/20	7/20	5/20	N/A	N/A	1/20	N/A
Economy Rank	181/631	214/631	140/631	137/630	111/631	N/A	N/A	104/631	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2004-05	46.90	N/A	N/A	137.60	32.49	1.36	44,711.25	0.02
2005-06	47.18	N/A	N/A	140.09	31.66	1.39	44,347.83	0.02
2006-07	46.04	N/A	N/A	140.60	31.72	1.40	44,592.39	0.02
2007-08	45.70	N/A	N/A	143.55	31.02	1.40	44,526.32	0.02
2008-09	45.17	N/A	N/A	144.64	30.42	1.41	43,994.85	0.02
2009-10	44.92	N/A	N/A	147.88	30.06	1.40	44,458.44	0.02
2010-11	44.81	N/A	N/A	148.32	30.42	1.39	45,112.78	0.02
2011-12	44.43	N/A	N/A	149.18	30.28	1.39	45,173.27	0.02
2012-13	44.30	N/A	N/A	150.83	29.98	1.39	45,218.45	0.02
2013-14	44.23	N/A	N/A	151.46	30.28	1.41	45,858.82	0.02
2014-15	44.01	N/A	N/A	152.51	30.11	1.41	45,921.66	0.02
2015-16	43.82	N/A	N/A	153.67	29.90	1.42	45,950.23	0.02
2016-17	43.53	N/A	N/A	154.87	29.76	1.42	46,093.75	0.02
2017-18	43.22	N/A	N/A	156.01	29.62	1.43	46,206.14	0.02
2018-19	42.77	N/A	N/A	157.24	29.42	1.45	46,263.50	0.02
Sector Rank	11/20	N/A	N/A	12/20	11/20	20/20	9/20	15/20
Economy Rank	203/631	N/A	N/A	510/631	155/631	599/631	451/631	487/631

Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.

SOURCE: WWW.IBISWORLD.COM.AU

Jargon & Glossary

Industry Jargon

LAP-BAND SURGERY A lap-band is a band inserted around the oesophagus intended to reduce the amount of food that can be eaten at any given time, hence limiting the capacity for weight gain.

SCHEDULE 3 Pharmacist-only drug. These drugs do not require a prescription to be purchased, but can only be sold at pharmacies.

SCHEDULE 4 A prescription-only drug. Drugs classified as S4 may only be purchased with a prescription from a medical professional.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labour; medium is \$0.125 to \$0.333 of capital to \$1 of labour; low is less than \$0.125 of capital for every \$1 of labour.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

At IBISWorld we know that industry intelligence is more than assembling facts

It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets

Arm yourself with the latest industry intelligence

Assess competitive threats from existing & new entrants

Benchmark your performance against the competition

Make speedy market-ready, profit-maximising decisions



Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 500 Australian industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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